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and hence any person now holding one of these offices or hereafter elected thereto is made "ineligible to nomination or election to any office upon any party ticket" prior to the expiration of his term.

LEON E. AYLSWORTH.

Income Tax. Two income tax bills have been introduced in the United States senate. Both are proposed amendments to the house tariff measure under consideration, and aim to supplement the revenue derived from custom and internal duties.

This is not the beginning of income tax legislation in the United States, but hitherto the tax has always been employed in times of financial stress and stringency, and not as a source of revenue in times of peace and prosperity.

The first series of income tax acts were measures passed to relieve the nation of its financial embarrassment, brought on by the Civil War. The law was passed, repealed, reenacted and amended several times during the decade between 1860 and 1870. It can hardly be said that the changes were minor, or that the same idea ran through all of the laws. In some of the measures no attempt was made to get beyond the individual in the collection of the tax, while in others provision was made for the collection of the revenue at the source. The rate was now proportional, now moderately progressive, and again the progression was marked. No definite, uniform principle seemed to prevail, and the whole income tax legislation partook of the nature of an experiment.

The first act passed in 1861 provided for a tax of 3 per cent on all incomes over $800 whether received from trade, property, profession, vocation, or employment. Incomes below that amount were not taxable. The rate varied with the nature of the source and the jurisdiction of the recipient. The rate on incomes derived from treasury notes, or other security of the United States, was to be but 1½ per cent, while incomes, rents, or dividends derived from, or accruing upon property, securities, or stock owned in the United States by citizens abroad were to pay a tax of 5 per cent. In estimating the income, all national, state or local taxes levied upon property from which the income was derived were to be deducted.

Even before the law of 1861 became operative, modifications were added, and a progressive rate imposed; the classifications, however, were not minute. Incomes exceeding $600 but less than $10,000 were made subject to a tax of 3 per cent, and incomes exceeding $10,000 to a

tax of 5 per cent upon the amount over the exemption allowed. Under this law provision was made for the collection of the revenue at the source and the individual was authorized to deduct from his income the taxes that had already been levied upon his salary, dividends, stock or interest, if that tax had been paid by the corporation.

In 1864 the law was again amended, and the rate made more progressive. Incomes exceeding $600 but not exceeding $5000 were made subject to a tax of 5 per cent. Incomes exceeding $5000 but not exceeding $10,000 to a tax of 7 per cent, and incomes in excess of $10,000 to a tax of 10 per cent. The attempt to collect the tax at the source was approved and continued.

The following year the law was again amended and instead of the fourfold classification of income, as formerly, only three were used: those under $600, $600 to $5000, and over $5000. Incomes of the first class—those below $600—were exempt, as usual, incomes of the second class were made subject to a tax of 5 per cent and incomes of the third class to a tax of 10 per cent. The law was complicated by numerous deductions and specific statements of just what incomes and parts of incomes should be included, and what excluded.

In 1867 the time during which the measure was to continue in operation was limited, and in 1870 the law was actually repealed.

In 1894 the income tax was again introduced with the intention of making it a part of the federal revenue system for at least five years, the beginning to be made the following year. The tax was to be proportional, and not progressive; the exemption was fixed at $4000 and the rate at 2 per cent. The levy was to be upon all gains, profits, and income received during the preceding calendar year, and collected from every citizen of the United States, whether he resided at home or abroad, if his income exceeded the exemption allowed.

Interest on notes, bonds and other securities, unless the bonds were national securities; profit realized from the sale of real estate purchased within two years previous; the amount of all premiums on bonds, notes or other coupons; the amount of sales of certain enumerated farm products, less the amount expended in the purchase or production of such stock or produce, and not including the portion consumed by the family; money and gifts acquired by gift or inheritance; and any other gain, profits, or income derived from any other source whatever, were all to be included by the individual in estimating his income.

Provision was also made for the exclusion of certain parts of the gross income. The following items were included in this list; necessary

expenses actually incurred in the occupation or business; interest on existing indebtedness; other taxes paid within the year; losses incurred in trade, or arising from accidental losses not covered by insurance. These allowed deductions, however, did not include amounts paid out for permanent improvements. Any corporation for profit might pay a 2 per cent tax on its net profits, and by such payment relieve its stock and bond holders of their responsibility as individuals.

Such, in brief, has been the history of the law, up to the present date. Now comes a time when congressmen who stand for tariff for revenue only, congressmen who are working for a real revision of the tariff downward, and reformers who are advocating reform in our present tax system, are working more or less in harmony for an income tax in some form.

Of the two bills before the senate, one was introduced by Senator Bailey, and the other by Senator Cummins.

The one introduced by Senator Bailey provides for an income tax to be levied upon all individuals and corporations having an income in excess of the $5000 exemption. A uniform flat rate of 3 per cent is to be levied upon all sums over that amount.

Clearness in the presentation and discussion of the measure, demands separate treatment of the individual and the corporation.

In the case of the individual the tax is to be levied on his gains, profits and income, this return to include all interest except interest on government obligations; all salaries except salaries received by the officers of the state, and its political subdivisions; all profits realized within the year from the sale of real estate purchased within two years previous; all premiums on stock, notes or coupons; the amount received from the sale of merchandise and farm produce; money, and the value of all property acquired by gift or bequest; and all other profits or gains derived from any other kind of property, trade, or employment. This would be a statement of gross profits, and an income tax to be just must be a tax on net income. The recipient is therefore allowed to deduct from this amount all expenses actually incurred in conducting any business, occupation or profession. In addition to this, he is allowed to deduct all interest, taxes and losses actually sustained, all worthless debts, and the amount received from any corporation, company or association, as dividends, if the corporation from which the income is received has already paid the 3 per cent income tax on its net profits.

It is made the duty of all persons of lawful age, having an income of more than $5000 computed on the basis outlined, to make a return

showing such facts to the collector, or deputy collector of the district in which he resides. Persons having an income of less than that amount are not required to make a return.

No exception is made for corporations. They also are required to pay an income tax.

All banks, banking institutions, saving institutions, fire, marine, life and other insurance companies, railroad, turnpike, canal navigation, slack water, telephone, telegraph, express, electric light, gas, water, street railway companies, and all other corporations, companies or associations doing business for profit in the United States, are to pay a 3 per cent tax on all net gains, profits, or income over $5000. Such net gains, profits and income to include the amounts paid to shareholders, or carried to the account of any fund, or used for construction, enlargement of plant, or any other expenditure, or interest paid from the net annual profits.

The law applies primarily to corporations for profit, and not to charitable, religious, educational, or building and loan associations, or savings banks or insurance companies, if the savings bank or insurance company is managed primarily in the interest of the depositors, or policy holders.

Every corporation, company or association doing business for profit in the United States is required to make a full return to the collector of the district showing the following facts for the calendar year next preceding the date of the return: first, the gross profits; second, the expenses, exclusive of interest, annuities and dividends; third, the amount paid on account of interest, annuities and dividends, stated separately; fourth, the amount paid in salaries, with a list of the recipients; fifth, the net profits, without allowance for interest, annuities or dividends.

The taxes provided for in the bill are to be assessed by the commissioner of internal revenue, and are to be due and payable on or before the first day of July in each year.

In the bill introduced by Senator Cummins, duties are to be levied and collected upon incomes received by every citizen of the United States, whether residing at home or abroad, and by every other person receiving an income from property, business, trade, occupation, profession, or employment, situated or carried on within the United States. The dutiable incomes are to be only those in excess of $5000, and from every taxable income the sum of $5000 is to be deducted, in order to ascertain the amount upon which the duty is to be levied and collected. The tax rate is to be as follows: Upon incomes not exceeding $10,000, 2 per cent; upon incomes not exceeding $20,000, 2½ per cent; upon incomes not

exceeding $40,000, 3 per cent; upon incomes not exceeding $60,000, 3½ per cent; upon incomes not exceeding $80,000, 4 per cent; upon incomes not exceeding $100,000, 5 per cent; and upon all incomes exceeding $100,000, 6 per cent.

Taxable incomes may be derived from any of the following sources: first, salaries, wages, compensation for personal labor or service, but not including the salary of the existing president of the United States during the term for which he has been elected, the judges of the supreme and superior courts of the United States now in office, or the salaries of all officers and employees of a state or any of its political subdivisions; second, earnings in any profession, after deducting the actual expenses; third, any gains or profits of any trade, vocation or business; fourth, the gains or profits of all sales or dealings in property, whether real or personal, provided that the profits are not to be included if they arise from the sale of real estate purchased more than two years prior to the close of the year for which the income is being ascertained; fifth, any other gains or profits growing out of the ownership of, or interest in real or personal property, or the transaction of any lawful business carried on for gain or profit; and sixth, the amount received as dividends upon corporate stocks, together with the proportionate share of the undivided profits of corporations issuing such stock, the amount received as interest upon bonds, obligations, or other evidence of indebtedness.

It is made the duty of every person of lawful age having an income of more than $5000 for the preceding year, when the income is computed upon the basis outlined, to make a return to the collector or deputy collector of the district.

In order to check up the returns and get a more complete and accurate assessment, every corporation or association organized under the laws of the United States, or of any state or territory, is required to render a full return to the collector of the district in which its principal office is situated. This return is to include the following facts: first, the gross profits of the corporation or association; second, the expenses, including interest, annuities and dividends; third, the net profits without allowance for interest, annuities and dividends; fourth, the amount paid on account of interest, annuities and dividends, with a list showing the names and post-office address of the persons to whom any such interest, annuities and dividends were paid, and stating the amount paid to each person separately; fifth, the amount paid in salaries of $5000 or more to each person employed, giving the amount of the salary paid to each person and his name and post-office address; sixth, if the net profits were not

wholly divided, then the amount which would have been paid to each person, if the profit had been wholly divided.

The bills differ in two important particulars. In the first place the bill introduced by Senator Bailey provides for a flat rate of 3 per cent, while Senator Cummins' bill provides for a gradual, but progressive rate as the income in question increases. The second essential difference is that Senator Cummins' bill provides for a tax on individual incomes only, reaching the corporation through the individual; Senator Bailey's measure, on the other hand, provides for the taxation of the incomes of both individuals and corporations, if the income received is above the exemption point. ROBERT ARGYLL CAMPBELL.

Insurance—New York—Amendments to the Armstrong Legislation. The thorough revision of the life insurance code of New York, enacted in 1906, under the spur of the Armstrong insurance investigating committee, has thus far escaped radical changes, although the legislature has each year made alterations of a minor character, and last year was only prevented from introducing an essentially reactionary modification by the veto of Governor Hughes. The amendments of 1907 and 1908 merely corrected imperfections in the new law which experience had quickly revealed. The 1909 amendments (S. B. 1460; Laws 1909, ch. 30) made substantial concessions to the convenience of companies and agents without involving any sacrifice of the principles involved in the reform measures. The principal features of the amendments of this year are: (1) the introduction of an alternative method of valuing securities, (2) a moderate extension of renewal commissions, and (3) the substitution of standard policy provisions for standard forms.

1. The most urgently needed modification was that permitting bonds to be valued on the amortization plan. The valuation of securities by the New York insurance department has hitherto followed market quotations, in common with the practice in other states. This method was unobjectionable as long as companies carried sufficiently large surpluses to meet any emergency. Notwithstanding severe criticisms, however, the 1906 amendments provided for an arbitrary limitation of surplus. Predictions of disaster came near being fulfilled in 1907 when assets had to be valued at the abnormally low market quotations of December 31. To save some companies from a technical impairment it was necessary to adopt the "rule of thirteen" whereby the market values of December were averaged with those of the preceding twelve months. Had the bond market depression been a little more severe,